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Annual Report 1968

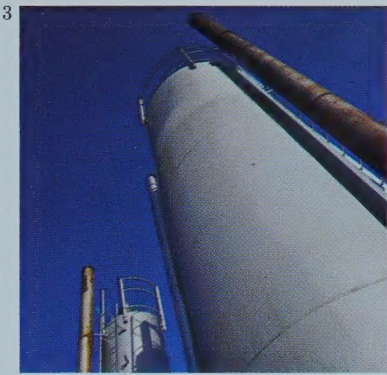
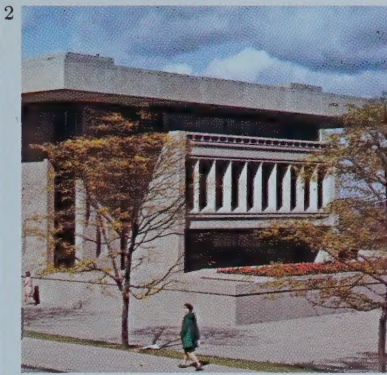
DENISON
MINES
LIMITED



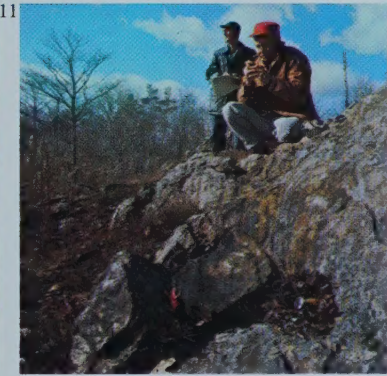
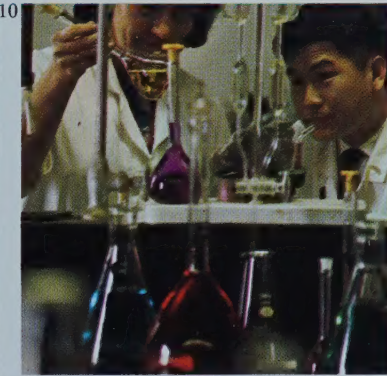
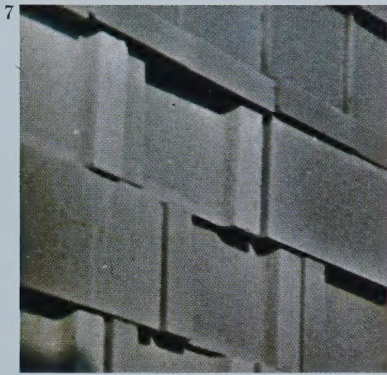
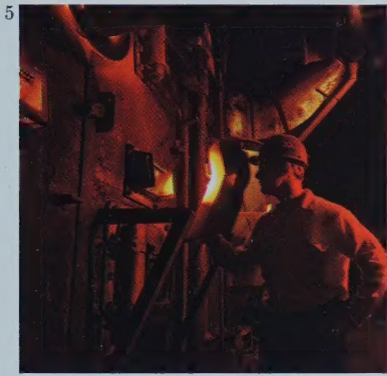
1968 Highlights

- *substantial increase in net profit*
- *shareholders' equity reaches record level*
- *uranium earnings considerably higher*
- *improved performance in cement subsidiary*
- *substantial increase in revenue from investments*
- *rapid growth of nuclear industry continues*
- *extensive exploration program now underway*





The President
and Directors of
Denison Mines Limited
are pleased to present
the Annual Report to
the Shareholders
for the year ended
December 31st.,
1968.



COVER: Uranium is hauled in large trucks underground to transfer point.
INSIDE COVER: Ion exchange section—one of the uranium concentrating circuits.
FOLD OUT: From uranium ore to the final product—uranium oxide concentrate.

1. Modern control systems.
2. Dramatic application of cement.
3. Oil Division tank storage battery.
4. Lake Ontario Cement shipping.
5. The kilns, Lake Ontario.
6. Housing, Elliot Lake.
7. Concrete product.
8. Head frame for mine development.
9. Underground miner.
10. Laboratory, Elliot Lake.
11. Exploration.
12. The Denison corporate symbol.



Officers and Directors

Officers

STEPHEN B. ROMAN, K.C.S.G., LL.D.,
Chairman and President

JOHN KOSTUIK, B.Sc.,
Vice-President and General Manager

E. B. McCONKEY, C.A.,
Vice-President Finance and Treasurer

J. G. PICKARD
Vice-President Industrial Division

JOHN C. PUHKY,
Secretary

Directors

J. WILSON BERRY

CHARLES F. W. BURNS

HON. D. KEITH DAVEY

HON. GEORGE A. DREW,
P.C., C.C., C.D., Q.C., LL.D.

F. H. JOWSEY

JOHN KOSTUIK, B.Sc.

E. B. McCONKEY, C.A.

EDWARD A. MERKLE

LOUIS R. PERINI

J. G. PICKARD

JOHN C. PUHKY

ANTHONY ROMAN

STEPHEN B. ROMAN, K.C.S.G., LL.D.

HON. HARRY A. WILLIS, Q.C.

B. E. WILLOUGHBY

Subsidiary Company of Denison Mines Limited

Lake Ontario Cement Limited
2 Carlton Street, Toronto, Ontario.

Division
Premier Concrete Products
132 Toro Road, Downsview, Ontario.

Division
Ryancrete Products
210 Detroit Street, Windsor, Ontario.

Wholly-owned Subsidiary
Rochester Portland Cement Corp.
361 Boxart Street, Rochester, N.Y.

Affiliated Company
Primeau Argo Block Co. Limited
Brockport Road at Belfield,
Rexdale, Ontario.

Head Office

4 King Street West,
Toronto, Ontario.

Mine Office

Elliot Lake, Ontario.

Vancouver Office

402 West Pender Street,
Vancouver,
British Columbia.

Calgary Office

201 Oil Exchange Bldg.
309-7th Avenue S.W.
Calgary, Alberta.

Denison Mines (U.S.) Incorporated

1575 Sherman Street, Denver,
Colorado, U.S.A.

Solicitors

Fraser & Beatty,
Toronto, Ontario.

Auditors

Eddis & Associates,
Toronto, Ontario.

Bankers

The Royal Bank of Canada,
Toronto, Ontario.

Registrar and Transfer Agent

Guaranty Trust Company of Canada,
Toronto, Ont., Montreal, P.Q.,
Calgary, Alberta.

To The Shareholders.

I am very pleased to submit the Annual Report of your Company for the year ended December 31, 1968.

This has been a very successful year for your Company, in all of its areas of interest. The net income resulting from operations for the year rose substantially, to \$12,771,720 or \$2.85 per share. Dividend payments for 1968 totalled \$1.40 per share, making a total of \$51,211,911 paid to shareholders since your Company declared its first dividend in October, 1959. Your Company's overall financial prosperity is best reflected in shareholders' equity which rose to a record level of \$75,449,623, equal to \$16.86 per share.

During 1968, uranium earnings were considerably higher; cement earnings more than justified your Company's continuing faith in this investment area by making sharp gains in both sales and profits; income from the Oil and Gas Division declined slightly; and revenues from investments increased substantially to make a major contribution to the year's profit picture.

Higher uranium earnings were due in part to the sale and delivery of 800,000 pounds of uranium concentrates to West German private companies. While deliveries made under the Canadian Government stock pile contract were reduced by an equal amount, these foreign sales of our concentrates realized higher unit prices. Deliveries under the Japanese contracts will begin in mid-1969.

Taking a broader long-range view, 1968 saw the continuation of the rapid, even phenomenal, development and growth of nuclear power on an international scale. During the year the United States Atomic Energy Commission confirmed its median prediction of 150,000 megawatts of installed capacity in the United States by 1980. With 65,000 megawatts ordered in the period 1965 through 1968, it can be predicted that a minimum of 85,000 additional megawatts will be ordered during the next six years in the United States alone. Here in Canada in December, 1968, the Honourable John Robarts, Prime Minister of Ontario, announced that the Ontario Government had approved plans of Ontario Hydro for a 3,000-megawatt nuclear

power plant to be built at Douglas Point, Ontario, adjacent to the present nuclear power plant. On completion in 1976 it will be the second largest nuclear power plant in the world.

The challenge is clear. Because world demand for uranium during the next 5 to 10 years will exceed the present capacities of the mining industry, it is essential that present facilities be expanded, that ore reserves be developed, and that new orebodies be sought and found.

Your Company has responded to all of these challenges. This past year saw the continuation of the program of expansion, improvement and development of the Denison mine which is the world's largest uranium resource. The objectives of this continuing program are to supply uranium at prices advantageous to both the producer and the consumer; and to develop reserves in time to meet future market demands.

The response to the third challenge—that of seeking and finding new orebodies—has resulted in your Company's undertaking the most extensive and far-ranging exploration program in its history. Particular emphasis is being put on the search for uranium, and other minerals are also being sought actively. Your Company is developing this exploration program in four broad areas:

- Exploration work on its own account;
- Investments in other companies doing exploration work;
- Participation in projects with associated companies;
- Joint exploration ventures with outside interests.

In particular, 1968 saw the completion of agreements for joint exploration ventures with major North American companies, and with Japanese and Italian interests. Your Company's active programs ranged across Canada and through the western United States; and extended to Ireland, Jamaica and South America. As the pace of exploration accelerates, your Company intends to extend its interests even farther afield, into key areas throughout the world.

The Oil and Gas Division continued with its profitable pattern in 1968, and, in addition, made modest increases both in production and in proven reserves. In 1969 your Company intends to pursue oil exploration in greater intensity and on a larger scale.



In this regard, it is now almost eight years since the Federal Government declared its National Oil Policy. As Canada has a productive oil capacity of almost three times the current rate of production, we believe that the Government should reconsider and update the Policy, and again set future target rates of production keyed to present circumstances. We strongly believe that a very real effort must be made to achieve a rate of production equal to Canada's oil consumption; and in keeping with the "continental concept" of oil reserves and markets.

Substantial gains in both sales and profits were made by Lake Ontario Cement Limited, a 55%-owned subsidiary of your Company. It is worth noting that operating profits rose to \$1,977,000, for an increase of 77% over the previous year, and consolidated net earnings were \$915,000. Economists predict that both Canada and the United States are on the threshold of a major extended construction boom. Lake Ontario Cement Limited plans to take full advantage of the construction activity indicated for the foreseeable future.

For many years now, we have been very optimistic about the future growth of the nuclear industry, and of your Company's participation in it. Activities of this past year have more than borne out the predictions which I made in previous years. For example, 1968 saw the start of major new areas of interest and growth, with much attention being given to the concept of a "nuclear complex" or "nuplex".

As conceived, nuclear reactors will become the centre of an agricultural and industrial complex for those areas of the world which are deficient in these advantages. Basic products will be low-cost electric power, desalinized sea water, and fertilizer, capable of transforming coastal deserts into "food factories". The surplus power would be used to process industrial raw materials. During the year preliminary studies of some areas were begun, and it is felt that such "nuplexes" will be commercially feasible well before the end of this century.

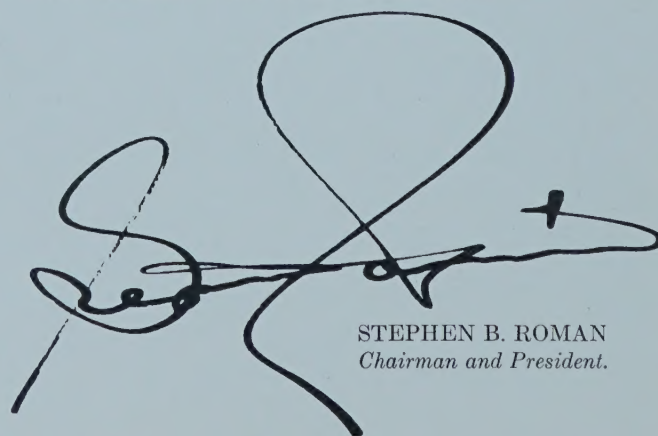
Strong support for this view came from James T. Ramey of the U.S. Atomic Energy Commission. In November of 1968, speaking to the symposium on Nuclear Desalinization in Madrid, Spain, Mr. Ramey said, and I quote: "It is especially in the field of agro-industrial complexes that I find the most exciting prospects for application (of nuclear energy centres) that hold the promise of having a fundamental impact on the economy and development of entire regions." Elsewhere in his remarks, Mr. Ramey states "... my long-standing conviction (is)

that large-scale nuclear desalting is destined to become one of the most important peaceful uses of nuclear energy." These convictions only confirm our own similar optimism in the future of the uranium industry; an optimism which we have consistently maintained, in spite of unwarranted scepticism from some quarters, during all the years in which your Company has taken a position of leadership in the uranium industry.

It is our belief that if this ever growing world demand for uranium for peaceful purposes is to be satisfactorily met, Canada's private producers must be assisted by a more liberal and realistic Government policy; one that will stimulate growth and development, rather than retard it. Our future growth will come from encouraging more people to assume the entrepreneurship needed so badly in Canada, to encourage the use of risk capital in participation with public funds, to help open our underdeveloped areas of the country. Our national resources are one of the principal sources of wealth of our people and our country. Unless the Government creates a climate of taxation favourable to growth and development, our natural wealth will remain in the ground, unused and nonproductive. We are confident that, for its part, the Government will wish to maintain a climate favourable for growth. Your Company, for its part, will continue to develop its exploration, production and sales policies on a long-term basis, so as to ensure the meeting of its responsibilities both to its shareholders and to its country, Canada.

The Board of Directors wishes to take this opportunity to again thank our employees and officers, without whose loyalty and efforts this outstanding year of achievement would not have been possible. We would also thank our shareholders for their continued support and interest in the progress of the Company.

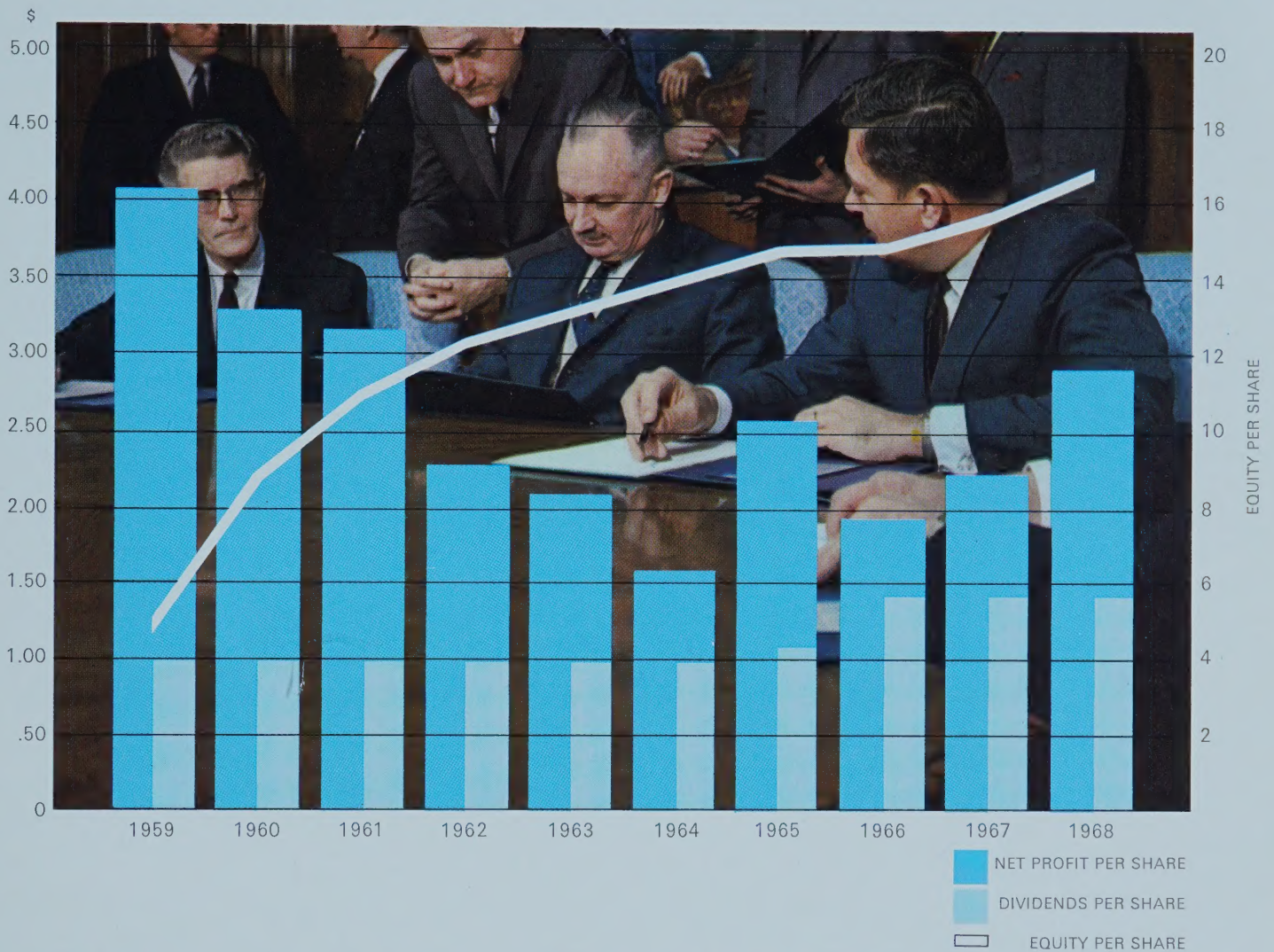
On behalf of the Board of Directors—

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

STEPHEN B. ROMAN
Chairman and President.

Toronto, Ontario, January 13, 1969.

Ten Year Chart on Financial Performance



HIGHLIGHTS FOR THE YEAR

Ended December 31, 1968

Net Income.....\$ 12,771,720

Net per share.....\$2.85

Shareholders' Equity.....\$75,449,623

Equity per share.....\$16.86

The development of nuclear power at an accelerating rate since 1965 has focused world attention on the sources of uranium to fuel the nuclear reactors of the 1970's and 1980's. It is evident that world demand for uranium in the early seventies will exceed the present capabilities of the mining industry.

The need will be met in part by increasing the production capabilities of existing mines and in part from other known orebodies which can be developed. But this will not be enough; a large part of the requirements after 1975 must come from uranium ore deposits not yet discovered. It is clear that an organized, scientific and deep probing search for new orebodies, on a scale unprecedented in the mining industry, is needed. A massive industry response has begun, spurred by the realization that seldom has the private market demand for a mineral been so clearly forecast and seldom has a forecast been so soundly based.

Your Company's response has been centered on the Denison orebody and its timely development through continuance of the program for preparedness. But the response has not been limited to this objective. 1968 was a significant year in mineral exploration in which there was intensification of field work in several areas of first importance. As a result of your Company's active exploration policies and organization and its international search for minerals, negotiations were completed with a number of major companies for joint exploration ventures.

Mine Programs:

Capital expenditures in 1968 were concentrated on underground projects and equipment, including mine development. Our objective has been to examine and improve the principal elements of mining operations at the Denison mine which are:

- the drilling, breaking and removal of uranium ore from rooms spaced regularly in the inclined orebody
- the loading and haulage of the broken ore to a conveyor belt network for transportation to crusher and mine shafts
- the hoisting of ore to surface

The program of mine preparedness initiated in 1966 was continued through 1968 to improve

the effectiveness of each of the operations in the mining sequence. It includes:

- re-equipment of crews
- adaptation of large, mobile haulage and loading machines to Denison operating conditions
- major modifications of drilling and rock breaking practices
- installation of a high capacity belt conveyor network in newly developed arteries of the mine
- installation of a large crusher in the underground transportation network

Major development projects continued in 1968. The long underground excavation begun in 1966 to connect Denison workings with the former Can-Met workings was completed on schedule. In addition to providing access to the eastern section of the Denison orebody, it will be a valuable addition to the mine ventilation system. Access to the south-central area of the mine by excavation of an artery was well advanced during the year; completion to the Denison south boundary is expected in 1969.

Continuing equipment replacement trials have resulted in the purchase of several large, mobile units for the loading and haulage of ore. For example, new trucks now in underground service have a low-profile design, a capacity of 20 tons and discharge their loads by telescopic action. The plan for equipment replacement has the flexibility to be accelerated as needed.

To sum up, 1968 was a year in which key projects were completed and modified mining practices passed through the trial stages and became effective. Additional improvements are expected in 1969.

Other Developments:

Yttrium oxide concentrate production during the year was less than scheduled because of market oversupply problems experienced by the principal yttrium refining companies.

As a result of a review of the sources and costs of chemicals and principal supplies required in large quantities for uranium processing, your Company has arranged to acquire a 49% interest in Reiss Lime Company of Canada, Limited. This company expects to build a plant and dock facilities on the north shore of Lake Huron near Spragge, Ontario to supply industrial lime in part of northern Ontario. Lime is a bulk product used



in large quantities in uranium mills as a neutralizing agent.

Your Company, because of its uranium and oil interests and its interest in the development of natural resources, is keenly interested in other energy minerals also. In line with this policy a Coal Division has been established with headquarters in Calgary, Alberta, for coal exploration in western Canada.

Nuclear Energy Outlook

Nuclear power now has gained acceptance as a safe and reliable means of economically supplying a large part of the world's energy requirements. As an illustration of the modern world's massive appetite for energy, mankind in the twentieth century will have consumed twice the energy used in all previous history. The energy needs and rate of consumption in the next three decades will accelerate as national populations expand rapidly and per capita energy consumption increases to satisfy the rising requirements of industrial societies.

Very dramatic increases in orders for nuclear power plants were reported in 1966 and 1967. Indicative of the cyclical pattern with which the utility industry purchases its generating equipment, new orders, not unexpectedly, dropped to the level of 1966. This decrease is a logical result of advance ordering by the utilities in 1966 and 1967, which took advantage of manufacturing capacity at advantageous prices. As this capacity became extended, prices of components and reactors increased and deliveries were set back. With capacity being enlarged and with added nuclear plant experience by utilities the USAEC anticipates that the rate of ordering will increase. Prices of equipment should decline as sales and market requirements become balanced. Advances in technology and component standardization also will contribute to lower capital costs.

The merits of nuclear power were again well illustrated in 1968 by the purchases of plants for locations in the United States where coal is highly competitive. Indeed, it is fair to say that nuclear energy has been a most effective deterrent to increases in the cost of electric power. A choice of power systems and fuels will continue to be of great advantage to consumers because of the

stimulating effect of competition on all fuel producers and equipment manufacturers.

Future Uses of Nuclear Power

Low cost nuclear power has brought man closer to realization of the dreams of irrigation with desalted sea water, of turning deserts into productive fields, of profitably recovering buried resources of low-grade deposits of minerals and oil shales; and of great excavation projects. These are all big concepts; the problems are complex and realization will be difficult because of financing, vast size and technology gaps. In 1968 much attention was drawn to the concept of going beyond the nuclear power and desalting stages to create great agricultural-industrial centers. Technology for the essential first step—nuclear desalting—already is well advanced; prototype and demonstration plants now are needed.

The Plowshare program in the United States made notable steps in 1968 in the investigation of peaceful uses for controlled nuclear explosions in science and industry. Results of Project Gasbuggy, an experimental explosion to stimulate natural gas flows, were promising enough to warrant at least two more similar trials.

Project Bronco, a three phase project of the USAEC in association with several private oil companies, will attempt to free and recover oil from oil shale. Project Buggy was successful in a surface excavation trial that may be a forerunner of canal projects. All of these projects are indicative of the efforts to develop new and constructive uses for nuclear energy.

We look forward to further strengthening of your Company's competitive capabilities to maximum advantage in 1969.

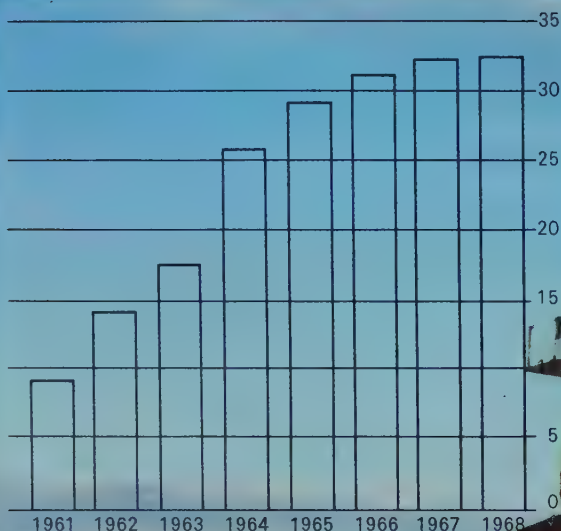
*Some of the ore hoisting
and transportation facilities
at the Denison mine.*



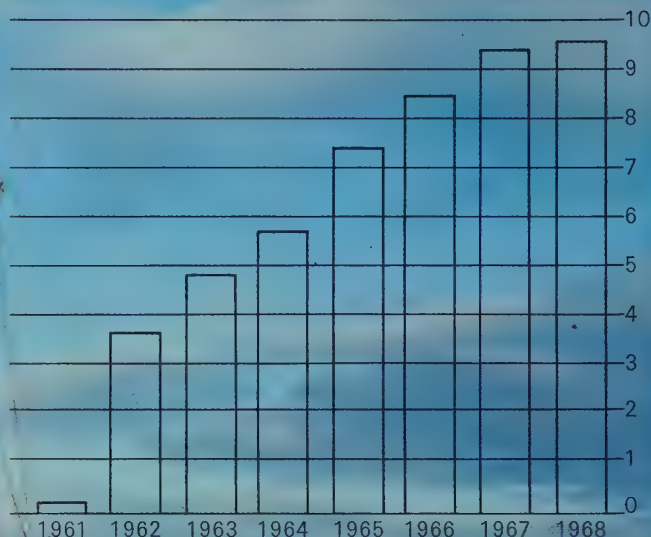
Oil and Gas Division

Millions of Barrels

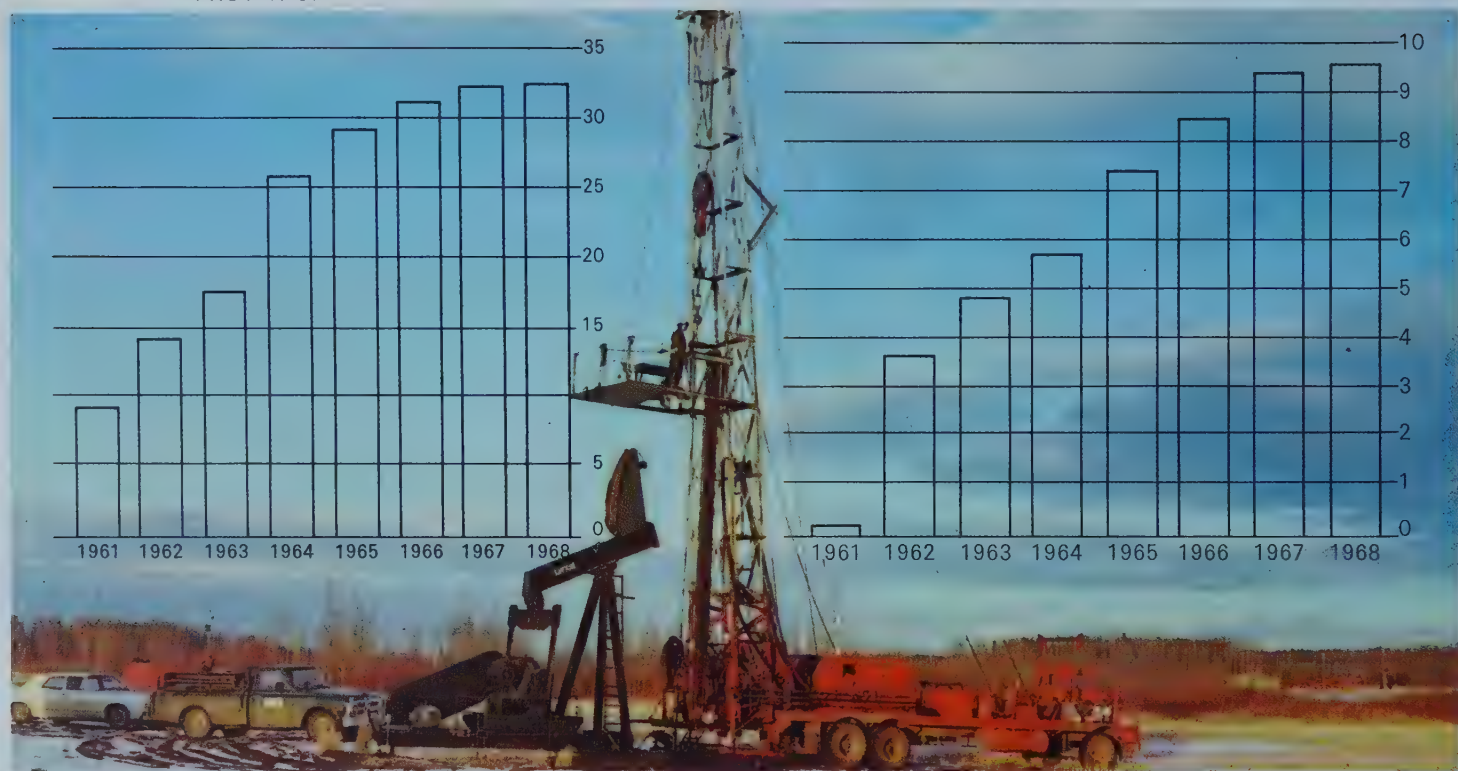
PROVEN OIL RESERVES



GROSS OIL PRODUCTION



Hundred Thousands of Barrels



A slight increase in production and in proven reserves was recorded by the Oil and Gas Division during the 1968 year. Gross oil production totalled 933,022 barrels, for an average of 2,556 barrels per day, compared to the 1967 average daily production of 2,533 barrels. Gas production was 434 MMcf, for an increase of 20%. Crude production did not show its usual normal increase, because the Company's participating equity in two Swan Hills Units changed from initial to final, in accordance with the unitization formula.

At year end, gross proven oil reserves were estimated to be 32,452,600 barrels. Probable additional oil reserves were calculated at 7,255,800 barrels for a proven and probable additional crude reserves total of 39,708,400 barrels. Gross proven remaining gas reserves were 25.8 billion cubic feet. Income from the Division totalled \$1,826,548 during 1968, a decline of \$57,613 from 1967.

During the year, a Mitsue lease was unitized, and enhanced recovery system by waterflood was commenced. The Company now has a working

interest in 12 Units, 6 being in the Swan Hills-Judy Creek area. Interests are also held in other producing and non-producing leases.

Two leases were purchased, one in the Rainbow Field and the other at Mitsue. A well was drilled on the Mitsue lease and abandoned. A further geophysical survey is currently being made on the Rainbow lease. This will be followed by the drilling of a well early in the 1968-1969 winter, shortly after full freeze-up.

An aggressive program of exploration and development is planned for 1969, so that a greater growth pattern can be achieved.

*Pumping Unit in
Pembina Cardium No. 8.*





Sales of Lake Ontario Cement Limited in 1968 reached a record level of \$20,931,000. The consolidated net profit before provision for deferred income taxes of \$1,760,000 was 58% higher than the \$1,114,000 recorded in 1967, during which period the company's results were adversely affected by a series of strikes. It should be noted that operating profits were reduced by \$257,000 as a result of an extraordinary net loss on the disposal of obsolete assets in the Premier Concrete Products division.

Consolidated net earnings after provision for deferred taxes for the year ended December 31, 1968, were \$915,000 after providing \$1,867,000 for depreciation and depletion, \$1,169,000 for interest on borrowed funds and \$845,000 as a provision for deferred income taxes. This would compare with net earnings for the previous year of \$493,000 had provision for deferred taxes been made at that time.

The company's long term debt position continues to improve. At current repayment rates, the first mortgage bonds (originally covering debt of \$7,000,000 incurred to acquire the initial plant facilities) will be fully paid off in December 1969. The company intends to redeem the remaining 5½% sinking fund Debentures totalling \$6,395,400 on the due date, June 30, 1971. At that time the original long-term debt will have been completely repaid.

Recent technological innovations in the cement industry are aimed at increasing labour efficiency, reducing fuel costs, improving product quality and reducing transportation costs. The company is keeping close watch on such developments and intends to adopt those which are compatible with its operations and which offer a high return on investment. The Picton plant enjoys the economic benefits of being a dry process type of plant, directly adjacent to deep navigable water. As a result, reasonable reinvestment will keep this plant highly competitive for many years to come.

In 1968, Lake Ontario Cement Limited made significant progress in regard to implementing an efficiency improvement program in all divisions and subsidiaries. Significant progress was made, and tangible benefits are already being realized. The capital budget program of approximately \$1,581,000 was largely committed to replacing obsolete assets and modifying existing equipment either to improve its efficiency or to increase its output.

The Premier Concrete Products division of the company made excellent progress during 1968, and is now providing an effective ready mix service to the entire Metropolitan Toronto area. Premier's Hamilton operations are also doing so well that a site has been purchased and plans are to set up a second ready mix plant in the spring of 1969.

Improvements were made in the operations of Ryancrrete during 1968, and more are planned for 1969, to strengthen Ryancrrete's position as a major producer of ready mixed concrete and autoclaved concrete block in the Windsor area.

Primeau Argo Block Co. Limited experienced a profitable year and plans to continue its product diversification program during 1969, so as to increase its participation in the expanding Metropolitan Toronto construction market.

A major construction boom is forecast in both the United States and Canada. Indications are that the cement industry, including Lake Ontario Cement Limited, will share fully in the enormous construction programs foreseen for the next several years.



The Exploration Division is active in a large number of projects and programs designed to provide the maximum possible exposure to attractive exploration opportunities in uranium as well as other mineral commodities compatible with the objectives of your Company. This is being done through work on its own account, through investments in other companies doing exploration work, through participations in projects with associated companies and through joint ventures with outside interests.

New exploration developments in uranium and other minerals in all parts of the Free World are being closely followed and our exploration staff is prepared to investigate any that may be of interest to Denison. Exploration offices are maintained at Toronto, Elliot Lake, Calgary, Vancouver, Denver, Colorado and Limerick, Ireland. Our geological staff is also continuously searching out new areas that may have potential for new mineral deposits. In carrying out our various programs the full range of modern exploration techniques and practices are employed.

Our uranium exploration program has been substantially increased, in line with a general acceleration in exploration for this mineral commodity in Canada, the United States and elsewhere and also as a result of our own build-up of exploration activity over the past several years.

An agreement was completed late in the year with Consolidated Rexspar Minerals & Chemicals Limited. Previous work on this company's property located eighty miles north of Kamloops, British Columbia, indicated a reserve of approximately 1,700,000 tons averaging 1.86 lbs. U_3O_8 . In addition a zone of fluorite mineralization was shown to have 1,500,000 tons proven and probable and 500,000 tons possible ore with an estimated average of 29% fluorite. Both the uranium and the fluorite mineralization occur in near-surface bodies believed amenable to extraction by open pit mining methods. The early work indicated a number of areas on this property warranting further investigation. Accordingly, during 1969, a comprehensive exploration program for additional uranium ore reserves will be undertaken. The viability of the fluorite orebody outlined in previous work will be studied as well as the possibility of increasing the reserves of this mineral.

In the Blind River area of Ontario approximately

ten miles to the southwest of the Denison Mine at Elliot Lake your Company owns several large blocks of claims. On the basis of geological data the claim groups are in an area considered favourable for the occurrence of conglomeratic uranium deposits of the Elliot Lake type. As part of a long range program to explore these holdings a diamond drilling program was initiated in 1968 and will be continued in 1969. Included as part of this program will be the investigation of a claim group under option from Donalda Mines Limited.

Additional drilling is also planned on our holdings in the Gogama area, approximately fifty miles north of Sudbury, where conglomerates with low grade radioactivity have been found to occur.

A large area in the Cambrian Lake section of northern Quebec underlain by conglomerates with associated radioactivity was acquired by staking and will undergo detailed investigation, including drilling, in 1969.

In the United States our exploration staff, based in Denver, Colorado, is involved in a search for attractive prospects in all major uranium areas in that country.

Under a joint venture agreement with nine Japanese Utilities, exploration has been initiated on five uranium properties in Colorado. Limited drilling carried out late in 1968 primarily for stratigraphic information proved sufficiently encouraging to justify an expanded program and a substantial amount of drilling is planned for these properties in 1969. Exploration for new deposits in British Columbia is also included under this agreement.

Exploration is being carried on in Montana and Wyoming under a joint venture agreement with SOMIREN (Societa Minerali Radioattivi Energia Nucleare), a member of the Ente Nazionale Idrocarburi Group, which is a state-owned corporation of Italy. Two uranium properties in Montana and one in Wyoming are presently under investigation as part of this joint venture program.

Although primarily involved in uranium exploration the Denver-based exploration group is also on the lookout for attractive ventures in other minerals.

In Guyana, South America, your Company has been granted an exploration permit for uranium and gold over an area of 9,150 square miles. Initial work is scheduled to commence in January,

1969 and will consist of an airborne radiometric survey to be followed by investigation on the ground if anomalous radioactive areas are indicated.

Our base metal exploration program in Ireland has continued. On the Aherlow property near Tipperary preliminary estimates based on exploration drilling to date suggest some six million tons of copper-silver mineralization in one area. As mining will have to be by underground methods the grade of the upper part may be marginal at current copper prices. The lower part however is considerably higher grade. Additional work is necessary before ore reserves and grades can be definitely stated; however results of drilling to date suggest the possibility of about three million tons with an average grade in the order of 1.20% copper and 1.66 ozs. silver. Further work is planned to determine the possibility of there being more of this grade material. Work is also in progress on three other permit areas as part of our continuing program for locating base metal deposits in Ireland.

Denison, in association with Roman Corporation Limited and Goldray Mines Limited, under a joint venture agreement with Atlantic Richfield Company and International Mining Corporation is exploring a large area under permit in north-eastern Saskatchewan and northwestern Manitoba. Airborne geophysical surveys have been completed and ground geophysics to investigate anomalous areas indicated in the airborne surveys are now in progress. The 1969 program will include the investigation by diamond drilling of selected anomalous areas.

Another program of similar nature is in progress in association with Roman Corporation Limited, Goldray Mines Limited and Black Hawk Mining Ltd. in the Pinehouse Lake District of Saskatchewan. The area is located on the southern extension of the structure being explored by the consortium in the above paragraph. An airborne geophysical survey was completed. As a result of this survey a large number of claims were staked and subsequently applications made for five prospecting permits involving approximately 900,000 acres. A detailed exploration program is planned for 1969 which will involve the ground investigation of the anomalous areas indicated by the airborne surveys.

In Jamaica initial work resulted in two of our

six prospecting licenses being dropped. However further surveys on the remaining licenses have indicated one area in particular which is anomalous in copper on which further work, possibly including diamond drilling, will be undertaken during 1969.

There was no activity on the iron deposit, held under an exploration permit, in the Ungava area of Northern Quebec pending favourable developments in the iron ore demand situation.

Several of our affiliated companies have become increasingly active in exploration in Canada and Ireland.

Other joint ventures are in the negotiation stage. These, with the projects already described, comprise a large scale, intensive exploration effort.

The tempo of uranium exploration is continuing to accelerate, particularly in Canada, and still greater activity is anticipated over the next few years. In line with this your Exploration Division is maintaining an increasingly active program directed towards affording Denison the maximum possible exposure to attractive uranium exploration projects.

The level of exploration activity for many other mineral commodities is also on the rise the world over. Although uranium is emphasized, your Exploration Division continues to be on the lookout for attractive exploration projects for other minerals of interest to your Company.

*John Kostuik,
Vice-President and General Manager*



Other Investments

Canada Cement expects continued improvement in operating results following a difficult period during which sales were depressed as a result of increased competition and a general slow-down in construction activity, particularly in the Province of Quebec. The improvement realized to date has resulted from better marketing distribution and economies achieved from intensive efforts to reduce operating costs.

International Mogul Mines Limited, the company resulting from the amalgamation of Mogul Mines Limited with certain of its subsidiary and associated companies, brings into one company substantial assets. A 75% owned subsidiary, Mogul of Ireland Limited, commenced milling operations in May 1968 at its 3,000 ton per day concentrator. This company will be one of the largest lead-zinc producers in Western Europe. Other principal assets are a 16.4% interest in New Quebec Raglan Mines Limited which has extensive nickel-copper properties in the Ungava area in Quebec on which diamond drilling has indicated substantial tonnages, and a 16.9% interest in The Grand Bahama Development Company which owns extensive land holdings on Grand Bahama Island.

International Mining Corporation has continued to be highly successful with its interests in Molybdenum Corporation of America, a major producer of molybdenum, rare earths, columbium, tungsten and boron products, and in the Fresnillo Company, a lead-zinc and silver producer in Mexico; and with its participation in gold and platinum mining in Colombia, South America. The Corporation's investment portfolio has continued to appreciate and contributes significantly to earnings.

The large phosphate potash deposits in Peru in which Midepsa Industries Limited has an interest were subject to continued detailed feasibility investigation by Kaiser Aluminum and Chemical Corporation. Initial annual production targets now being considered are 2.2 million tons of phosphate rock, 200,000 tons of potash and 1 million tons of salt.

Ten Year Summary

(,000 omitted)

Production	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959
Tons milled	1,316	1,220	982	889	1,275	1,587	1,829	2,033	2,014	2,046
Average grade (lbs U ₃ O ₈ per ton)	3.07	3.07	2.86	2.93	3.14	3.34	2.88	2.85	2.70	2.56
Pounds U ₃ O ₈ produced	3,843	3,549	2,749	2,561	3,950	5,079	4,844	5,379	4,912	4,916
Financial										
Net income before items shown below*	\$ 3,378	\$1,350	\$2,319	\$3,492	\$2,434	\$7,907	\$20,487	\$30,525	\$28,629	\$25,945
Oil and gas income	1,827	1,884	1,517	1,375	1,036	864	612	14	—	—
Revenue from invest- ments (including gain on sale of securities)	8,106	5,272	2,852	4,552	1,647	1,210	915	442	311	177
Provision for deprecia- tion and depletion	1,039	628	410	509	482	577	11,837	16,851	13,816	8,224
Share of net earnings of unconsolidated subsidiary	500	611	794	1,091	1,036	—	—	—	—	—
Net income for the year*	12,772	8,489	7,072	10,001	5,671	9,404	10,177	14,130	15,124	17,898
Net income per share*	2.85	1.90	1.58	2.23	1.27	2.10	2.28	3.16	3.38	4.02
Dividend paid per share	1.40	1.40	1.40	1.25	1.00	1.00	1.00	1.00	1.00	1.00
Number of shares outstanding	4,475	4,475	4,475	4,475	4,475	4,475	4,475	4,475	4,475	4,451
Equity per share*	16.86	15.41	14.56	14.48	13.74	13.50	12.53	11.30	9.26	6.91
Total assets	\$99,608	\$98,447	\$84,411	\$70,513	\$65,203	\$65,251	\$75,416	\$74,427	\$71,624	\$48,451

*After reflecting adjustments in the years to which they apply

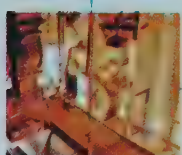
Major Activities and Diversification



SUBSIDIARIES AND OTHER INVESTMENTS

EXPLORATION AND DEVELOPMENT

OPERATING DIVISIONS



Lake Ontario Cement Limited



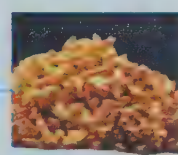
Canada Cement Company Limited



Black Hawk Mining Ltd.



Midepsa Industries Limited



Mining Division



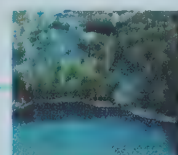
Rochester Portland Cement Corp.



International Mining Corporation



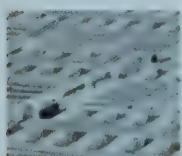
Argosy Mining Corporation Limited



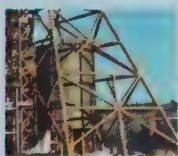
Vespar Mines Limited



Oil & Gas Division



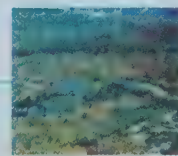
Premier Concrete Products



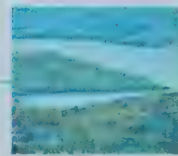
International Mogul Mines Limited



Lakehead Mines Limited



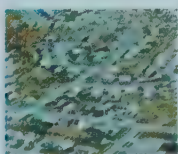
Goldray Mines Limited



Exploration Division



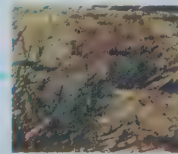
Primeau Argo Block Co. Limited



Concord Finance Corporation Limited



Consolidated Rexspar Minerals & Chemicals Limited



Denison Mines (U.S.) Incorporated



Ryancrete Products



Denhay Holdings Limited



Denison Mines (European) Limited

Chart showing the major subsidiaries, associated companies and investments of Denison Mines Limited

Consolidated Statement of Income and Retained Earnings

for the year ended December 31, 1968

	1968	1967
Net income before items shown below	\$ 5,516,444	\$ 4,740,307
Revenue from investments	8,106,355	5,272,288
	<u>13,622,799</u>	<u>10,012,595</u>
Product:		
Provision for Ontario mining tax	480,000	100,000
Provision for depreciation and depletion	1,039,083	628,024
	<u>1,519,083</u>	<u>728,024</u>
	12,103,716	9,284,571
Profit on sales of fixed assets	167,801	10,033
Share of net earnings of the unconsolidated subsidiary	500,203	610,744
Net income for the year	<u>12,771,720</u>	<u>9,905,348</u>
Balance of retained earnings at beginning of year	66,542,652	61,335,742
	<u>79,314,372</u>	<u>71,241,090</u>
Product:		
Dividends	6,264,584	4,698,438
Settlement of prior years' European representation costs	5,665,000	—
	<u>11,929,584</u>	<u>4,698,438</u>
Balance of retained earnings at end of year	<u>\$ 67,384,788</u>	<u>\$ 66,542,652</u>

Consolidated Statement of Source and Application of Funds

for the year ended December 31, 1968

	1968	1967
SOURCE OF FUNDS:		
Current operations—excluding share of net earnings of the unconsolidated subsidiary	\$ 13,142,799	\$ 9,912,595
Debt of the unconsolidated subsidiary	200,000	200,000
Investment in other companies	1,955,221	4,427,298
Mortgages and other secured loans	6,057,436	142,925
Advances on concentrate sales contracts	7,020,000	—
Special refundable tax	160,903	(44,212)
	<u>28,536,359</u>	<u>14,638,606</u>
APPLICATION OF FUNDS:		
Additions to property, plant and equipment of \$4,550,054 (1967 \$4,734,606) less proceeds of disposals	3,124,939	4,722,302
Concentrates held for sale	2,370,141	1,477,075
Settlement of prior years' European representation costs	5,665,000	—
Dividends declared	6,264,584	4,698,438
	<u>17,424,664</u>	<u>10,897,815</u>
Increase in working capital	<u>\$ 11,111,695</u>	<u>\$ 3,740,791</u>

Auditors' Report

to the Shareholders,
Denison Mines Limited.

We have examined the consolidated balance sheet of Denison Mines Limited and its subsidiaries as at December 31, 1968 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination of the financial statements of Denison Mines Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada, January 11, 1969.

EDDIS & ASSOCIATES, Chartered Accountants.

Consolidated Balance Sheet

as at December 31, 1968

Assets

CURRENT ASSETS:

	1968	1967
Cash.....	\$ 1,293,907	\$ 597,907
Time deposits.....	—	4,320,000
Marketable securities—at or below cost (quoted market value \$21,120,403; 1967 \$13,495,134).....	18,283,027	13,133,488
Accounts receivable including concentrate settlements.....	4,535,461	2,478,624
Supplies and prepaid expenses.....	1,201,985	1,050,443
Mortgages and other secured loans including \$200,000 (1967 \$200,000) from the unconsolidated subsidiary.....	1,371,770	695,476
	<u>26,686,150</u>	<u>22,275,938</u>
Special refundable tax.....	—	160,903
INVESTMENT IN OTHER COMPANIES—at or below cost		
Shares—including shares carried at \$24,482,550 with a quoted market value of \$30,527,240 (1967 \$26,594,554 and \$28,241,631 respectively).....	25,275,452	27,230,673
Bonds and debentures.....	4,361,625	4,361,625
	<u>29,637,077</u>	<u>31,592,298</u>
Mortgages and other secured loans, not including amounts shown above.....	2,333,984	8,391,420
INVESTMENT IN UNCONSOLIDATED SUBSIDIARY—LAKE ONTARIO CEMENT LIMITED		
Shares—costing \$6,341,298 with a quoted market value of \$10,508,248 (1967 \$6,341,298 and \$8,776,121 respectively).....	10,328,531	9,828,328
Debenture.....	—	200,000
	<u>10,328,531</u>	<u>10,028,328</u>
Concentrates held for sale—at cost.....	7,467,441	5,097,300
Property, plant and equipment at cost less accumulated depreciation and depletion of \$47,735,238 (1967 \$47,004,684).....	23,154,323	20,900,666
	<u>\$ 99,607,506</u>	<u>\$ 98,446,853</u>

Liabilities

CURRENT LIABILITIES:

Bank loan—secured.....	\$ 12,300,000	\$ 16,100,000
Loan—secured.....	—	4,320,000
Accounts payable and accrued charges.....	2,279,913	2,929,250
Dividends payable.....	292,000	318,454
Provision for Ontario mining tax.....	645,970	171,662
Current portion of advances on concentrate sales contracts.....	1,620,000	—
	<u>17,137,883</u>	<u>23,839,366</u>
Advances on concentrate sales contracts.....	7,020,000	—

SHAREHOLDERS' EQUITY:

Capital Stock		
Authorized:		
6,000,000 shares of \$1.00 par value each		
Issued and fully paid:		
4,474,703 shares.....	4,474,703	4,474,703
Contributed surplus.....	3,590,132	3,590,132
Retained earnings.....	67,384,788	66,542,652
	<u>75,449,623</u>	<u>74,607,487</u>
	<u>\$ 99,607,506</u>	<u>\$ 98,446,853</u>

Signed on behalf of the Board:

GEORGE A. DREW, Director.

J. WILSON BERRY, Director.

The accompanying notes to the consolidated financial statements are an integral part thereof.

Notes to Consolidated Financial Statement

December 31, 1968

- 1 The consolidated financial statements include the accounts of all subsidiary companies and the results of their operations for the year, except that the accounts of Lake Ontario Cement Limited (partly owned) and its subsidiaries are excluded. The investment in shares of Lake Ontario Cement Limited is stated in the consolidated balance sheet at cost plus the company's share of consolidated earnings of such subsidiary since control was acquired which share, insofar as it related to the current year, is included in the consolidated statement of income. In the company's view, this method provides the most effective form of presentation of its financial condition.
- 2 Included in investment in other companies is an amount of \$2,666,625 in respect of 6½% Series A, Black Hawk Mining Ltd. debentures (face value \$2,735,000) due June 30, 1974 which is secured by the assets of that company and its wholly-owned subsidiary. The security is principally represented by an orebody in Hancock County, Maine, U.S.A. on which extensive development work has been done. The property is presently on a stand-by basis until economic and other conditions are more favourable for production of copper and zinc ores. Interest accrued on these debentures from January 1, 1967 will be taken into revenue when payment is received.
- 3 Gross operating revenue for the year ended December 31, 1968 increased by 3.1% over 1967.
- 4 Included in revenue from investments is interest of \$14,428 from the unconsolidated subsidiary and net gain on security transactions of which \$3,109,238 is gain realized from the sale of investment in shares of other companies.
- 5 Development expenditures made after 1965 for the purpose of preparing mining areas beyond current requirements have been deferred and are being written off in an appropriate manner as such areas of the mine are brought into production. Petroleum and natural gas lease acquisition costs and development expenditures are amortized on the unit of production method based on estimated reserves. Plant and equipment at the company's mine properties acquired before 1965 was written off in prior years; subsequent additions and all other plant and equipment of the companies are being depreciated over their estimated useful lives.
- 6 Provision for Ontario mining tax has been made in this and prior years in accordance with the bases on which the company was assessed for 1964 and prior years. It is possible that a reduction of such provision for tax may result from current procedures before the Ontario Municipal Board.
- 7 The company has received federal income tax re-assessments for the years 1961 to 1963 and an Ontario income tax re-assessment for 1961 which claim income taxes in the aggregate amount of \$5,693,701 plus interest. The federal re-assessment for 1961 has been appealed to the Exchequer Court of Canada and the company has filed notices of objection with respect to the other re-assessments. In the opinion of special counsel, the company should be substantially successful in its appeal and objections. Accordingly, no provision has been made in the accounts for any tax liability which may be exigible as a result of the above re-assessments or for the fiscal years subsequent to 1963 due to transactions similar to those in respect of which re-assessments have been received. Certain assets of the company have been assigned to the tax authorities as security for part of the outstanding re-assessments pending settlement. It is estimated that there is no liability for income taxes for the current year because of deductions available for tax purposes.
- 8 The company has guaranteed payment of the liability of a wholly-owned subsidiary as endorser of a promissory note now in the amount of \$730,000 of a borrower and holds as security a debenture constituting a first mortgage and floating charge on the assets of the borrower.
- 9 The company has commenced proceedings in the State of Illinois against Michigan Chemical Corporation claiming substantial damages for breach by Michigan Chemical Corporation of a contract for the purchase by it of yttrium oxide. Michigan Chemical Corporation is defending the action and is counter-claiming for three times unspecified damages. The action has not been tried. In the opinion of counsel the action should be successful and the counter-claim is without merit.
- 10 Direct remuneration received by the directors and senior officers in 1968 amounted to \$353,200 from the company and its consolidated subsidiaries and \$7,900 from the unconsolidated subsidiary.



